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FM PARIS

TO IMMEDIATE FCO

TELNO 531

OF 221105Z APRIL 89

INFO IMMEDIATE UKREP BRUSSELS

INFO PRIORITY OTHER EC POSTS, VIENNA, WASHINGTON, UKDEL NATO

MY TELNO 518: FRANCO GERMAN SUMMIT: SNF AND EMU

SUMMARY

1. FRENCH ANXIOUS TO HELP CHANCELLOR KOHL OVER SNF DECISIONS.
GENERAL WELCOME AT FRANCO-GERMAN SUMMIT FOR DELORS REPORT APPROACH
TO EMU AND AGREEMENT THAT DELORS REPORT MUST BE TAKEN AS A WHOLE.
BUT NO SPECIFIC DECISIONS YET ON HOW TO PROCEED UNDER THE FRENCH
PRESIDENCY.

DETIAL

2. WE DO NOT YET HAVE AN ACCOUNT OF THE TETE-A-TETE DISCUSSIONS
BETWEEN MITTERRAND AND KOHL IN PARIS ON 19-20 APRIL OF EMU AND THE
DELORS REPORT, OR SNF. BUT A PICTURE IS EMERGING FROM CONTACTS WITH
THOSE WHO ATTENDED THE DUMAS-GENSCHER TALKS AND THE PLENARY (CRESSON
AND ADAM-SCHWEITZER WERE PRESENT AT THE FORMA FOR PART OF THE TIME).
I HAVE DISCUSSED WITH THE GERMAN AMBASADOR (PFEFFER) AND THE
MINISTER WITH THE QUAI DIRECTOR FOR EUROPE (BLOT).

SNF

3. THE MAIN DISCUSSION WAS EVIDENTLY BETWEEN KOHL AND MITTERRAND,
BUT DUMAS AND GENSCHER COVERED THIS TOO. PFEFFER CONFIRMED OUR
READING OF THE PRESENT FRENCH APPROACH, BASED ON EXTREME SENSITIVITY
TO GERMAN INTERNAL PREOCCUPATIONS, AND RELUCTANCE TO PUT FORWARD A
FIRM PUBLIC VIEW ON THE SUBSTANCE (MITTERRAND AT THE JOINT PRESS
CONFERENCE WAS CHARACTERISTICALLY GUARDED.) THERE WAS NO DISCUSSION
OF NATO SUMMIT LANGUAGE IN VIEW OF THE CURRENT DISCUSSION WITH THE
COALITION IN BONN.

4. BLOT SAID THAT ALL THE FRENCH PARTICIPANTS WERE STRUCK BY THE
DETERIORATION OF KOHL'S POSITION: IT WAS A REAL QUESTION WHETHER, IF
THE RESULTS OF THE EUROPEAN ELECTIONS WERE UNFAVOURABLE FOR HIM, HE
WOULD SURVIVE THE SUMMER. THOSE ACCOMPANYING GENSHCER HAD SAID AS
MUCH AND PFEFFER COMMENTED TO ME ON THE NERVOUSNESS AND SENCE OF
FRAGILITY WHICH HE HAD FOUND. FRENCH ATTITUDES TO BOTH SNF AND THE
BIG EUROPEAN COMMUNITY ISSUES HAD TO BE SEEN IN THAT LIGHT. THEY
NEEDED TO HELP KOHL, RECOGNISING THAT HE WAS IN A SITUATION IN WHICH

HE COULD NOT TAKE THE MODERNISATION DECISION. THE GERMANS WERE EXPECTING A LOT OF THEIR FORTHCOMING CONTACTS WITH THE AMERICANS. DUMAS HAD ARGUED AGAINST GOING DOWN A TRACK THAT WOULD END IN SNF NEGOTIATIONS.

COMMUNITY ISSUES

5. THERE HAD BEEN DISCUSSION OF THE DELORS REPORT, TAX APPROXIMATION, AND EC ENLARGEMENT. ACCORDING TO PFEFFER, DUMAS AND GENSCHER CONCLUDED THAT THE REPORT WAS NOT IDEAL FOR EITHER SIDE, BUT NOT TOO BAD EITHER. IT WAS HIGHLY SATISFACTORY THAT IT HAD BEEN AGREED UNANIMOUSLY. IT NEEDED TO BE SEEN AND DISCUSSED AS A WHOLE, WITHOUT SALAMI TACTICS. MR LAWSON'S REACTION TO THE REPORT HAD BEEN DISCUSSED. PFEFFER TOLD ME HE TOOK AWAY FROM THE DISCUSSION AN IMPRESSION OF THE DILEMMA FACING FRANCE AND GERMANY: THEY WANTED PROGRESS INCLUDING BRITAIN, BUT FEARED THAT THIS WOULD BE IMPOSSIBLE WITHOUT BRITISH COMMITMENT TO SOME EVENTUAL INSTITUTIONAL REFORM. PFEFFER SAID HE WAS UNAWARE OF ANY PLANNING AT THIS STAGE BETWEEN FRENCH AND GERMANS FOR AN IGC, BUT IF THAT WAS TO BE THE DIRECTION OF FRENCH/GERMAN POLICY THEN WORK WOULD BE NEEDED BY EXPERTS NOT LONG AFTER THE MADRID EUROPEAN COUNCIL. (PETIT (ROCARD'S DIPLOMATIC ADVISER) HAS TOLD ME THAT ALTHOUGH THE FRENCH HAD EXPECTED SOMETHING NEGATIVE THEY HAD BEEN TAKEN ABACK BY THE STRENGTH OF THE CHANCELLOR'S REACTION TO THE DELORS REPORT. IT HAD BEEN AT THE HARD END OF THE SPECTRUM OF RESPONSES WHICH THEY HAD IDENTIFIED.))

6. BLOT TOLD US THAT THE DISCUSSION OF EMU WAS A PRELIMINARY ONE: GENSCHER HAD ARGUED THAT GOVERNMENTS WERE NOT YET IN A POSITION TO SETTLE THE WAY FORWARD. READING FROM THE NOTE OF THE JOINT REPORT BY DUMAS AND GENSCHER TO THE PLENARY, BLOT SAID THAT THE MINISTERS HAD 'UNDERLINED THE QUALITY' OF THE DELORS REPORT, UNDERLINED THAT IT FORMED A SINGLE WHOLE, AND POINTED OUT THAT THERE WOULD PROBABLY NEED TO BE A NEW LEGAL INSTRUMENT TO REALISE IT: THE TASK NOW WAS TO PREPARE FOR A DISCUSSION IN DEPTH IN MADRID. THE JOINT REPORT WENT ON TO REFER TO A COMMON APPROACH TO HARMONISATION OF TAX ON SAVINGS AND OF VAT, AND TO A WILL TO MAKE PROGRESS IN THE SOCIAL DIMENSION, ESSENTIAL TO EUROPEAN CONSTRUCTION.

ENLARGEMENT

7. THE TWO SIDES AGREED THAT IT WAS PREMATURE TO CONSIDER ANY ENLARGEMENT BEFORE 1993. THE COMMUNITY OF 12 MUST BE CONSOLIDATED. BLOT SAID THAT THE GERMANS HAD LAID STRESS ON THEIR SPECIAL LINKS AND SYMPATHY FOR AUSTRIA, AND THE NEED NOT TO DISCOURAGE THE AUSTRIANS. PFERRER'S ACCOUNT GAVE ME THE IMPRESSION THAT THE FRENCH SEE MUCH MORE CLEARLY THAN THE GERMANS THE REAL DISADVANTAGES IN

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TERMS OF EUROPEAN COHESION (AND FRENCH LEADERSHIP EXCLAM) OF FURTHER
ENLARGEMENT.

COMMENT

8. THESE ACCOUNTS ARE CONSISTENT WITH THOSE IN THE PRESS (WHICH HAS GIVEN VERY LITTLE COVERAGE TO THIS ''BREAD AND BUTTER'' FRANCO GERMAN SUMMIT, FAMILIAR BY NOW AND THIS TIME OVERSHADOWED BY OTHER EVENTS). THE PRESS REPORTS THAT THE TWO SIDES AGREED IN GENERAL TERMS TO MAKE RAPID PROGRESS ON MONETARY QUESTIONS AND GAVE GENERAL APPROVAL TO THE DELORS REPORT. MUCH REPORTING IS OVERSHADOWED BY THE UNEXPECTED HIKE IN GERMAN INTEREST RATES WHICH THE FRENCH PRESS PLAYS UP AS A BLOW TO EUROPEAN MONETARY COOPERATION. PFEFFER SAID THAT IT SEEMED TO COME AS A SURPRISE TO FRENCH SUMMIT PARTICIPANTS - THOUGH HE COULD NOT BELIEVE THAT THE APPROPRIATE CENTRAL BANK AND FINANCE MINISTER CHANNELS HAD NOT BEEN USED FOR CONFIDENTIAL ADVANCE CONSULTATIONS.

9. I HAVE REPORTED ROCARD'S WELCOME FOR THE DELORS REPORT, AND CRITICISM OF THE BRITISH RESPONSE TO IT, IN MY TELNO 526. AUTHEMAN IN BEREGOVY'S CABINET, HAS TOLD US THAT HE EXPECTS BEREGOVY TO MAKE A MAJOR STATEMENT ON THE DELORS REPORT BETWEEN NOW AND THE END OF THE MONTH. WE COULD TAKE IT THAT BERERGOVY FOUND THE REPORT OF GOOD QUALITY.

10. GISCARD TELEPHONED ME TO SAY THAT AN INTERVIEW WITH HIM IN THE TRIBUNE DE L'EXPANSION OF 19 APRIL SUGGESTING THAT BRITAIN MUST BE PUT UP AGAINST THE WALL ON MONETARY UNION HAD BEEN RENDERED TENDENTIOUS AND DISTORTED BY THE SUB EDITORS. THERE WOULD UNDOUBTEDLY BE PROBLEMS AHEAD. HIS OWN VIEWS WERE WELL KNOWN AND NOT SHARED BY THE BRITISH. BUT THERE WAS TIME TO LOOK AT ALL ASPECTS DISPASSIONATELY BETWEEN NOW AND THE END OF THE YEAR WHEN HE ASSUMED THAT DECISIONS WOULD HAVE TO BE TAKEN.

1. FCO PLEASE ADVANCE TO PS/SECRETARY OF STATE, KERR, ARTHUR (ECD(I)), PS/CHANCELLOR OF EXCHEQUER, LAVELLE (CABINET OFFICE), WICKS (TREASURY), PS/GOVERNOR, ARROWSMITH (BANK).

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